

[Release No. 34-37650 File No. SR-MBSCC-96-03]

**Self-Regulatory Organizations; MBS Clearing Corporation; Order Approving Proposed Rule Change Relating to Eliminating the Monthly Audit Package Requirements.**

September 5, 1996.

On June 18, 1996, the MBS Clearing Corporation ("MBSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-MBSCC-96-03) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").<sup>1</sup> Notice of the proposal was published on July 17, 1996, in the Federal Register to solicit comments on the proposed rule change.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

**I. Description**

MBSCC is modifying its rules and procedures to eliminate the requirement that it provide a monthly audit package to each participant and the requirement that such participant review and respond to the package. MBSCC currently provides each participant with the participant's Open Commitment Report on a daily basis pursuant to its rules. Participants have a duty under the rules to review each report for errors and discrepancies and to report any error or discrepancy to MBSCC. MBSCC's rules and source book also require MBSCC to send each participant a monthly audit package which consists of a copy of the participant's Open Commitment Report dated the last business day of the previous month and an Audit Exception Reporting Form which must be completed by the participant and returned to MBSCC whether or not any exceptions are found.

In connection with this rule change, MBSCC will eliminate the late audit confirmation penalties from its schedule of penalty fees.

**II. Discussion**

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder and particularly with the requirements of Section 17A(b)(3)(F).<sup>3</sup> Section 17A(b)(3)(F) requires that the rules of a clearing agency be designed to promote the prompt and accurate clearance and

settlement of securities transactions. The Commission believes that MBSCC's rule change meets this requirement because by eliminating the monthly audit package and the participants' requirement to review it, the administrative and economic burdens on participants' resources due to the duplicative nature of the requirements should be eliminated without any substantive effect. Such elimination should facilitate efficiencies in the administration of participant operations thereby promoting the prompt and accurate clearance and settlement of securities transactions.

**III. Conclusion**

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act, particularly with Section 17A(b)(3)(F) of the Act, and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-MBSCC-96-03) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

Margaret H. McFarland,

*Deputy Secretary.*

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[Release No. 34-37655; File No. SR-OCC-96-08]

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Regarding the Exercise of Certain Foreign Currency Options**

September 6, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on July 18, 1996, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared primarily by OCC. The Commission is publishing this notice to solicit comments from interested persons.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The proposed rule change will permit the exercise of certain foreign currency

options on the business day immediately preceding the expiration date of such options.

**II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, sent forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.<sup>2</sup>

**(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

Under the proposed rule change, OCC will amend its results to permit the exercise of American-style<sup>3</sup> foreign currency and cross-rate foreign currency options ("currency options") on the business day immediately preceding their expiration date. Currently, OCC Rule 801(c) prohibits the exercise of option contracts on the business day immediately preceding their expiration unless such options are American-style flexibly structured options. At the time this restriction was incorporated into OCC's rules, all option contracts expired on Saturday. The restriction ensured that there was adequate time for all unmatched transactions to be resolved and for OCC to receive and process exercise notices for the preliminary and final exercise by exception ("ex-by-ex") processing cycles that were then in effect. Subsequently, OCC has replaced the preliminary and final processing cycles for currency options with a single ex-by-ex processing procedure.

With the conversion to Friday night as the expiration date for all standardized currency options,<sup>4</sup> Rule 801(c) has

<sup>2</sup> The Commission has modified the language in these sections.

<sup>3</sup> The term "American" or "American-style" option contract means the option contract may be exercised at any time from its commencement time until its expiration. In contrast, a European style option may only be exercised on its expiration.

<sup>4</sup> For a complete description of the conversion of the expiration date for all standardized currency options from Saturday to Friday, refer to Securities Exchange Act Release Nos. 32458 (June 11, 1993), 58 FR 3384 [File No. SR-OCC-93-09] (notice of filing and order granting accelerated approval on a temporary basis of a proposed rule change that changed the expiration day for American-style foreign currency options from Saturday to Friday) and 32630 (July 14, 1993), 58 FR 38800 [File No.

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).

<sup>2</sup> Securities Exchange Act Release No. 37420 (July 11, 1996), 61 FR 37307.

<sup>3</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

<sup>4</sup> 17 CFR 200.30-3(a)(12) (1996).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).